



Alberta Treasury Branches

QUARTERLY REPORT 1st Quarter Results

Three months ended June 30, 2001

ATB assets surpass \$12 billion

Alberta Treasury Branches (ATB) reported improved first quarter earnings with net income of \$41.0 million for the period ending June 30, 2001, compared to \$38.6 million reported for the same period last year.

This quarter's results increased ATB's equity to \$475.1 million, as at June 30, 2001.

"ATB has reached yet another milestone, surpassing \$12 billion in assets during its first quarter," said Paul G. Haggis, President and CEO of ATB. "The success of the organization over the past five years is clearly attributable to our dedicated staff and loyal customers. ATB continues to have a bright future in servicing the financial needs of Albertans."

Products and Services

An agreement was reached with Bank of America to provide international banking services to ATB clients who conduct business regularly in the United States and abroad. These services include: US dollar chequing accounts as well as US dollar and other currency drafts and wires. In addition, Bank of America will provide ATB with US dollar, Pound Sterling, and Euro correspondent banking services. By leveraging Bank of America's capabilities and global reach, we are able to streamline our international banking services through one provider. Even more important, our customers have access to the breadth of international banking capabilities they require when dealing south of the border and abroad.

A five-year agreement was entered into with Can-Act Payment Services (a wholly-owned subsidiary of BCE Emergis Inc.) for on-line tax filing and remittance services for ATB business customers. This service allows ATB Online business banking customers to file federal and provincial taxes around the clock, seven days a week, with the choice of scheduled remittances for future processing. ATB customers can now improve their business processes by electronically filing and paying their federal and provincial corporate income taxes, employee source deductions and federal GST through this service.

Financial Highlights

- Net interest income of \$92.6 million is an increase of 6.18% from \$87.2 million for the same quarter last year.
- Non-interest expenses of \$68.8 million is an increase of 5.88% from \$65.0 million for the same quarter last year.
- ATB's efficiency ratio, non-interest expenses as a percentage of operating revenues, is 59.37% compared to 59.26% for the same three-month period last year.
- The allowance for credit losses, including specific and general loan loss allowance, exceed gross impaired loans by \$67.5 million. Net impaired loans represent a negative 0.69% of total loans at June 30, 2001, compared to a negative 0.62% at June 30, 2000.
- Total assets of \$12.1 billion is an increase of 11.04% over last year.
- Total loans at \$9.7 billion is an increase of 5.60% over last year.
- Customer deposits of \$11.3 billion is an increase of 9.24% over last year.

The ATB AgriBusinessCard MasterCard® now provides Alberta farmers with instant access to as much as \$100,000 credit. The previous credit limit on this popular financial product was \$50,000. The AgriBusinessCard is designed especially for Alberta farm businesses. It can be used to replace an operating loan, as a low-cost credit card, or to cover purchases of products and services required for the operation of a farm or agribusiness. The interest rate is based on the prime rate and is set according to the unique circumstances of each operation. A low minimum monthly payment can accommodate those customers that carry a balance, making it the ideal replacement for an operating loan. This unique product provides the financial flexibility that today's agricultural operations require.

ATB continues to show solid growth in retail investment products. This has been achieved through targeted products that meet the specific needs of our customers while providing quality returns with limited risk at a time when market volatility is front and center. Through a range of GIC and equity-linked products, ATB's investment products provide a combination of security, choice, and value that is second to none.

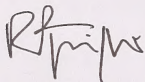
A 30-month mortgage promotion was introduced, and proved to be a popular choice among customers. A new product package designed for the first-time homebuyer was also added. The First Home Package allows customers to begin their retirement investing as ATB contributes up to \$2,500 to their RSPs. These two great options, along with our regular line-up of mortgage products (Cashback, Lower than Prime, Best of Both, and Half Your Rate), clearly demonstrate that *ATB has the Best Mortgage Options in Alberta.*

Access

ATB's investment in the branch network continues with five new branches under construction and eight newly constructed branches recently opening in Cold Lake Tri-City Mall, Calgary Chinook, Calgary Crowfoot, Edmonton Millwoods, Edmonton Oliver Village, Edmonton Rabbit Hill, Fort Saskatchewan and Red Deer Bower Place Mall. In addition, renovations were completed at the Banff, Beaverlodge, Calgary Brentwood, Fort MacLeod, Innisfail and First Red Deer Place branches.

People

In April 2001, changes were made in the organizational structure to ensure a better allocation of resources and alignment to our business plan objectives. **Larry Kaumeyer** moved to Sales as **Vice-President Direct Sales**. Included in his responsibilities are the Customer Contact Centre, Card Sales, Conditional Sales, the Virtual Staff Branch, Mortgage Development and the Investment Specialists. **Sheldon Dyck** moved to Sales as **Vice-President Business and Retail Sales, Urban**. Sheldon is responsible for business and retail banking in the Calgary and Edmonton markets. **Ken Casey** also moved to the Sales group as **Vice-President Branch Operations**. He is responsible for branch policy, support and performance, corporate services, facilities and operational efficiency.



Ron P. Triffo
Chairman of the Board

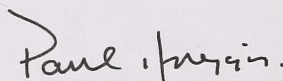
On the Credit side, three new appointments were made: **Gord Mooney, Vice-President Credit; Cathy Lane, Vice-President Credit Policy and Enterprise Risk Management; and Shelly Miciak, Vice-President Credit Risk and Portfolio Management**. In addition, **Erv Krawchuk** was appointed **Acting Vice-President Internal Audit**.

The 2nd Annual Teddy for a Toonie fundraising campaign took place at all ATB branches and agencies throughout the province from April 16 to May 12, 2001. Customers and staff donated \$2 to enter a draw for a Gund® teddy bear at each ATB location. More than \$135,000 was raised for the Alberta Children's Hospital Foundation and the Children's Health Foundation. Both foundations are non-profit organizations that provide funds for specialized medical services to children throughout Alberta.

Outlook

In June, the Parliament of Canada passed Bill C-8, an Act establishing the new Financial Consumers Agency and amending federal financial sector laws, including the *Bank Act*. We expect the new law will be proclaimed later this year. While that Act does not apply to ATB, we believe this new legislation will accelerate the changes to Canada's financial services sector, as medium-sized banks and insurers may be takeover candidates. The sector has also witnessed a number of portfolio transactions where financial institutions sell branches and assets to competitors. The legislation will enable banks to establish holding companies that may allow ownership interests to be sold in certain subsidiaries or joint ventures to be created with foreign players or direct competitors. To the extent that transactions require divestiture of assets, ATB believes it is positioned to play a role in obtaining new business or being on the shopping list of customers affected by branch closure or portfolio sales. Additional changes will facilitate Canadian financial institutions' entry into the e-commerce arena.

September 2001



Paul G. Haggis
President & CEO

Consolidated Balance Sheet

(unaudited)

As at (\$ in thousands)	June 30 2001	March 31 2001	June 30 2000
Assets			
Cash resources			
Cash and non-interest bearing deposits with banks	\$ 117,225	\$ 146,550	\$ 117,072
Interest bearing deposits with banks	1,003,875	817,506	649,576
Cheques and other items in transit, net	4,032	-	-
	<u>1,125,132</u>	<u>964,056</u>	<u>766,648</u>
Securities	<u>1,024,215</u>	<u>861,193</u>	<u>752,187</u>
Loans, net of allowance for credit losses			
Residential mortgages	4,053,364	3,977,883	3,743,203
Personal	1,433,362	1,429,627	1,370,087
Credit Card	168,774	150,752	115,369
Business and other	4,135,416	4,110,996	4,039,331
General allowance for credit losses	(128,292)	(123,649)	(118,016)
	<u>9,662,624</u>	<u>9,545,609</u>	<u>9,149,974</u>
Other			
Capital assets	73,949	74,183	61,452
Other assets	213,351	205,502	165,610
	<u>287,300</u>	<u>279,685</u>	<u>227,062</u>
	<u>\$ 12,099,271</u>	<u>\$ 11,650,543</u>	<u>\$ 10,895,871</u>
Liabilities and Equity			
Deposits			
Personal	\$ 6,429,309	\$ 6,307,770	\$ 5,825,372
Business and other	4,877,232	4,611,093	4,524,473
	<u>11,306,541</u>	<u>10,918,863</u>	<u>10,349,845</u>
Other			
Other liabilities	287,485	273,475	214,126
Cheques and other items in transit, net	-	6,654	3,213
	<u>287,485</u>	<u>280,129</u>	<u>217,339</u>
Subordinated debentures	<u>30,182</u>	<u>17,444</u>	<u>17,444</u>
Equity	<u>475,063</u>	<u>434,107</u>	<u>311,243</u>
	<u>\$ 12,099,271</u>	<u>\$ 11,650,543</u>	<u>\$ 10,895,871</u>

Consolidated Statement of Income

(unaudited)

(\$ in thousands)	For the three months ended		
	June 30 2001	March 31 2001	June 30 2000
Interest income			
Loans	\$ 176,344	\$ 182,299	\$ 173,152
Securities	11,752	11,645	8,984
Deposits with banks	11,330	11,007	8,212
	<u>199,426</u>	<u>204,951</u>	<u>190,348</u>
Interest expense			
Deposits	106,554	112,681	103,030
Subordinated debentures	265	265	103
	<u>106,819</u>	<u>112,946</u>	<u>103,133</u>
Net interest income	<u>92,607</u>	<u>92,005</u>	<u>87,215</u>
Provision for credit losses	<u>6,157</u>	<u>2,732</u>	<u>6,079</u>
Net interest income after provision for credit losses	<u>86,450</u>	<u>89,273</u>	<u>81,136</u>
Other income			
Service charges	11,147	13,821	10,288
Credit fees	5,650	3,353	5,461
Commission and other	2,386	2,327	2,782
Card fees	2,977	2,565	2,475
Foreign exchange	1,176	1,433	1,470
	<u>23,336</u>	<u>23,499</u>	<u>22,476</u>
Net interest and other income	<u>109,786</u>	<u>112,772</u>	<u>103,612</u>
Non-interest expenses			
Salaries and employee benefits	35,493	37,603	32,459
Premises and equipment, including amortization	10,292	12,808	10,220
Communications and electronic processing	12,389	12,518	12,365
Other	10,656	11,713	9,963
	<u>68,830</u>	<u>74,642</u>	<u>65,007</u>
Net income	<u>\$ 40,956</u>	<u>\$ 38,130</u>	<u>\$ 38,605</u>

Consolidated Statement of Cash Flows

(unaudited)

	For the three months ended	
	June 30 2001	June 30 2000
(\$ in thousands)		
Cash flows from operating activities		
Net income	\$ 40,956	\$ 38,605
Adjustments to determine net cash flows:		
Provision for credit losses	6,157	6,079
Amortization	4,032	3,533
Net changes in accrued interest receivable and payable	3,408	13,245
Other items, net	3,080	(16,867)
	<u>57,633</u>	<u>44,595</u>
Cash flows from financing activities		
Net change in deposits	387,140	425,214
Issue of subordinated debenture	12,738	9,925
	<u>399,878</u>	<u>435,139</u>
Cash flows from investing activities		
Net change in interest bearing deposit balances with banks	(185,870)	(92,518)
Purchase of investment securities	(2,048,547)	(1,327,991)
Maturity of investment securities	1,885,525	1,206,028
Net change in loans	(123,152)	(231,292)
Net purchases of capital assets	(3,798)	(1,369)
	<u>(475,842)</u>	<u>(447,142)</u>
Effect of exchange rate changes on cash and cash equivalents	(308)	153
Net change in cash and cash equivalents	(18,639)	32,745
Cash and cash equivalents at beginning of year	139,896	81,114
Cash and cash equivalents at end of period	<u>\$ 121,257</u>	<u>\$ 113,859</u>
Represented by:		
Cash and non-interest bearing deposits with banks	\$ 117,225	\$ 117,072
Cheques and other items in transit, net	4,032	(3,213)
	<u>\$ 121,257</u>	<u>\$ 113,859</u>
Supplementary cash flow information:		
Amount of interest paid during the period	<u>\$ 91,603</u>	<u>\$ 90,132</u>

Consolidated Statement of Changes in Equity

(unaudited)

	For the three months ended	
	June 30 2001	June 30 2000
(\$ in thousands)		
Equity at beginning of year	\$ 434,107	\$ 272,638
Net income for period	<u>40,956</u>	<u>38,605</u>
Equity at end of period	<u>\$ 475,063</u>	<u>\$ 311,243</u>

Notes to the Interim Consolidated Financial Statements

(unaudited)

1. Basis of Presentation

These Interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended March 31, 2001, as set out in ATB's 2001 Annual Report.

These Interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies outlined in the notes to the Consolidated Financial Statements for the year ended March 31, 2001.

2. Market Segment Information

For the three months ended

	Lending business											
	Deposit business		Individual	Agricultural	Independent business and commercial		Other*	Total				
(\$ in thousands)												
June 30, 2001												
Net interest income	\$	36,007	\$	23,114	\$	7,620	\$	19,164	\$	6,702	\$	92,607
Other income		12,223		3,037		696		5,180		2,200		23,336
Total revenue		48,230		26,151		8,316		24,344		8,902		115,943
Provision for credit losses		-		1,292		6		1,669		3,190		6,157
Net operating revenue	\$	48,230	\$	24,859	\$	8,310	\$	22,675	\$	5,712	\$	109,786
Non-interest expenses												68,830
Net income										\$		40,956
Average loans	\$	-	\$	5,494,984	\$	1,202,474	\$	2,938,422	\$	(59,012)	\$	9,576,868
Average deposits		9,865,226		-		-		-		1,215,811		11,081,037
Total assets		-		5,555,709		1,206,624		2,974,434		2,362,504		12,099,271
June 30, 2000												
Net interest income	\$	38,353	\$	19,335	\$	6,387	\$	19,096	\$	4,044	\$	87,215
Other income		11,474		3,111		461		4,511		2,919		22,476
Total revenue		49,827		22,446		6,848		23,607		6,963		109,691
Provision for (recovery of) credit losses		-		838		(203)		1,763		3,681		6,079
Net operating revenue	\$	49,827	\$	21,608	\$	7,051	\$	21,844	\$	3,282	\$	103,612
Non-interest expenses												65,007
Net income										\$		38,605
Average loans	\$	-	\$	5,094,682	\$	1,093,787	\$	2,891,939	\$	(52,400)	\$	9,028,008
Average deposits		8,639,488		-		-		-		1,356,704		9,996,192
Total assets		-		5,157,494		1,110,784		2,926,749		1,700,844		10,895,871

* Comprised of business of a corporate nature such as investment, risk management, asset liability management and treasury operations, as well as expenses and general allowances and recoveries for credit losses not expressly attributed to the market segments.

Management's Discussion and Analysis

(unaudited)

Net Income

ATB reported net income of \$41.0 million for the first quarter ended June 30, 2001 compared to \$38.1 million for the previous quarter and \$38.6 million in the first quarter last year. First quarter net income exceeded last quarter's net income by 7.41% and last year's first quarter net income by 6.09%.

Net Interest Income

Net interest income is \$92.6 million for the first quarter ended June 30, 2001, up \$0.6 million or 0.65% compared to net interest income last quarter and up \$5.4 million or 6.18% compared to the first quarter last year.

The increase in net interest income over the past year is due to growth in average assets of 12.61%. As expected, the net interest margin decreased to 3.13% from 3.33% one year ago. The lower net interest margin is primarily attributable to the declining market rate environment.

Other Income

Other income is \$23.3 million for the first quarter ended June 30, 2001, an increase of 3.83% compared to \$22.5 million for the first quarter last year. This is related to an increase in income from fees and other charges. Card fee revenue also increased due to an increased number of cards in circulation and related increased transaction volumes compared to the first quarter last year.

Non-interest Expenses

Non-interest expenses are \$68.8 million for the first quarter ended June 30, 2001, a decrease of 7.79% compared to non-interest expenses last quarter and a 5.88% increase compared to non-interest expenses for the first quarter last year.

The increase in non-interest expenses this quarter compared to the same quarter last year is largely attributable to increased salaries and related payroll costs. ATB's unionized employees received a four percent salary adjustment and a one percent performance increase effective April 1, 2001.

The efficiency ratio, expressed as a percentage of non-interest expenses to operating revenue (net interest income plus other income) remained relatively unchanged increasing to 59.37% for the three months ended June 30, 2001, compared to 59.26% for the same period last year. Consistent with ATB's projection for fiscal year 2002, this change is related to increased compensation and benefit costs as well as investments in technology and risk management processes.

Loan Quality

The quality of ATB's loan portfolio continued to improve over the first quarter. Gross impaired loans (before deducting the allowance for credit losses) at the end of the quarter are \$107.0 million compared to \$111.8 million a year ago. The allowance for credit losses exceeds the gross amount of impaired loans by \$67.5 million at June 30, 2001 compared to \$58.1 million a year earlier. The ratio of credit losses to average loans improved to 0.26% at June 30, 2001, compared to 0.27% a year earlier.

Balance Sheet

ATB's total assets are \$12.1 billion at June 30, 2001, an increase of 3.85% from March 31, 2001 and an increase of 11.04% from June 30, 2000. Total loans have increased by \$512.6 million or 5.60% compared to last year. Over the past year, loans to individuals increased by \$392.1 million or 7.56%, agriculture loans increased by \$82.3 million or 7.22%, and independent business and commercial loans increased by \$48.5 million or 1.65% (excluding general allowance for credit losses). ATB's deposit growth continues to be strong as deposits grew by \$956.7 million or 9.24% over the past twelve months.



Highlights

(unaudited)

(\$ in thousands)

Three months ended

	June 30	March 31	June 30
	2001	2001	2000

Operating Results

Total revenue	\$ 115,943	\$ 115,504	\$ 109,691
Provision for credit losses	6,157	2,732	6,079
Non-interest expense	68,830	74,642	65,007
Net income	40,956	38,130	38,605

Balance Sheet Summary

Assets	\$ 12,099,271	\$ 11,650,543	\$ 10,895,871
Loans	9,662,624	9,545,609	9,149,974
Deposits	11,306,541	10,918,863	10,349,845
Impaired loans, net of loan loss allowance	(67,547)	(56,071)	(58,134)

Key Performance Indicators

(percentage)

	June 30	March 31	June 30
	2001	2001	2000
	Three months	Twelve months	Three months
Operating revenue growth*	5.70	5.77	19.28
Net interest margin	3.13	3.26	3.33
Other income to operating revenue	20.13	19.75	20.49
Expenses to operating revenue	59.37	59.55	59.26
Return on average assets	1.38	1.46	1.47
Operating expense growth*	5.88	12.03	13.11
Net impaired loans to total gross loans	(0.69)	(0.58)	(0.62)
Credit losses to average loans	0.26	0.22	0.27
Loan growth*	5.60	6.96	11.47
Deposit growth*	9.24	10.02	8.14
Asset growth*	11.04	11.68	10.47

* Growth percentages calculated over a one year period



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